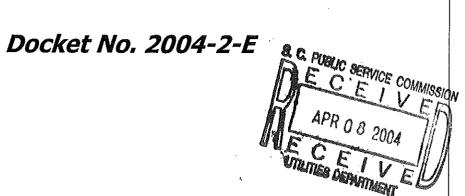
South Carolina Electric & Gas Company Annual Review of Base Rates for Fuel Costs





Testimony of A. R. Watts **Utilities Department**

Public Service Commission of South Carolina

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3		TESTIMONY OF A. R. WATTS
4		FOR
5 6		THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA
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8 9		DOCKET NO. 2004-2-E
10		IN RE: SOUTH CAROLINA ELECTRIC & GAS COMPANY
11 12 13		Annual Review of Base Rates for Fuel Costs
14		
15	Q.	WOULD YOU PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND
16		OCCUPATION?
17	A.	A. R. Watts, 101 Executive Center Drive, Columbia, South Carolina. I am employed
18		by The Public Service Commission of South Carolina, Utilities Department, as Chief
19		of Electric.
20	Q.	PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND
21		EXPERIENCE.
22	A.	I received a Bachelor of Science Degree in Electrical Engineering from the
23		University of South Carolina in Columbia in 1976. I was employed at that time by
24		this Commission as a Utilities Engineer in the Electric Department and was
25		promoted to Chief of the Electric Department in August 1981. I have been in my
26		current position since October 1999. I have testified before this Commission in
27		conjunction with fuel clause, complaint, territorial assignment, Siting Act, and
28		general rate proceedings.
29	Q.	WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS
30		PROCEEDING?
31	A.	The purpose of my testimony is to summarize Staff's findings as set forth in the
32		Utilities Department's portion of the Staff Report.
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	<u>Te</u>	stimony of A. R. Watts Docket No. 2004-2-E Page 2
1	Q.	
2		STAFF'S EXAMINATION?
3	A.	The Utilities Department's examination of the Company's fuel operations consisted
4		of a review of the Company's monthly operating reports, as well as a review of the
5		Company's short-term projections of kilowatt-hour sales and fuel costs.
6	Q.	DID STAFF EXAMINE THE COMPANY'S PLANT OPERATIONS FOR
7		THE PERIOD?
8	A.	Yes, we reviewed the Company's operation of its generating facilities, including
9		special attention to the nuclear plant operations, to determine if the Company made
10		every reasonable effort to minimize fuel costs.
11	Q.	HAVE YOU DETERMINED THAT ANY SITUATIONS WARRANT
12		DETERMINATION THAT THE COMPANY HAS ACTED
13		UNREASONABLY IN OPERATING ITS FACILITIES AND THEREBY
14		CAUSING ITS CUSTOMERS TO BE SUBJECT TO PAYING HIGHER
15		FUEL COSTS?
16	A.	No. The VC Summer Nuclear Station operated very well during this review period,
17		achieving an overall average capacity factor in excess of 87 % which included a
18		complete refueling outage.
19		The Company's nuclear as well as other major units' availability and capacity
20		factors are shown on Utilities Department Exhibit No. 1, while Exhibit Nos. 2A and
21		2B show the Company's nuclear and fossil unit outages for the months of March
22		2003 through February 2004. The Company's fossil plant operations for this review
23		period was adversely affected by shutdowns necessary to accommodate installation
24		of environmental compliance equipment at various units along with outages at the
25		McMeekin Station associated with construction of the new back-up dam for Lake
26		Murray. The majority of these activities have been completed.

- WOULD YOU BRIEFLY EXPLAIN THE REMAINING UTILITIES 27 Q. 28 **DEPARTMENT'S EXHIBITS?**
- A. Exhibit No. 3 lists the Company's percentage Generation Mix by fossil, nuclear, and 29 hydro for the period March 2003 through February 2004. Exhibit No. 4 reflects the 30

18	A.	Yes, it does.
17	Q.	DOES THIS CONCLUDE YOUR TESTIMONY?
16		referenced in Mr. Hendrix's testimony.
15		effect of the possible adjustment to the cumulative recovery account of \$25,618,063
14		ending period over collected balance of \$30,796. This Exhibit does not include the
13		recovery factor of 1.954 cents per kilowatt-hour that is estimated to result in an
12		recovery balance through April 2004 of \$17,429,464. This produces an overall
11		factors for the period ending April 2005 including the cumulative account under-
10		estimates for the cumulative recovery account balance for various base level fuel
9		9 is a history of the cumulative recovery account. Exhibit No. 10 is a table of
8		Company's currently approved Retail Adjustment for Fuel Costs tariff. Exhibit No.
7		graphical representation of the data in Exhibit No. 6. Exhibit No. 8 is the
6		actually experienced for the twelve months ending February 2004. Exhibit No. 7 is a
5		Exhibit No. 6 is a comparison of the original fuel factor projections to the factors
4		megawatt-hour estimated sales to the actual sales for the period under review.
3		February 2004. Exhibit No. 5 shows a comparison of the Company's original retail
2		KWH to operate, and total megawatt-hours generated for the twelve months ending
1		Company's major plants by name, type of fuel used, average fuel cost in cents per